

BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

**Periodic Reporting
(Proposals Eight and Nine)**

Docket No. RM2012-8

COMMENTS OF PITNEY BOWES INC.

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Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments in response to Order No. 1488 which solicits comments on the September 28, 2012 Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Eight and Nine)(Petition). These comments address Proposal Nine, which includes eight proposed modifications to the flats cost model, four of which apply to First-Class Mail.

Pitney Bowes supports “Modification 3 - Enhanced reject flows,” and “Modification 5 - Class specific FSS coverage factors.”¹ Both implement modeling improvements suggested by interested parties in previous proceedings and both should be adopted.²

In Docket No. RM2012-2, Pitney Bowes urged the Postal Service to use class-specific Flats Sequencing System (FSS) coverage factors.³ The current model assumes that the distribution of flats across mail class being processed on the FSS is similar to the national distribution of flats across class. As the Postal Service notes in its filing, this assumption is not supported by operational practice or cost systems. *See* USPS Petition at 10. The fifth modification addresses this shortcoming. It creates class-specific FSS coverage factors. These coverage factors are calculated using a two step process: (1) distribute Management Operating Data System (MODS) Total Pieces Fed (TPF) to class using cost data; and (2) dividing the distributed FSS TPF (by class) by eligible mail volume. This change is an improvement and should be adopted.

¹ Pitney Bowes takes no position on the other proposed modifications to the flats cost model.

² *See* Dkt. No. RM2012-2.

³ *See* Dkt. No. RM2012-2, Comments of Pitney Bowes (Dec. 30, 2011) at 4.

In the same docket, Time Inc. sponsored comments that observed that the flats cost models overstate FSS accept rates.⁴ Modification 3 would correct this by using MODS accept rates, which account for more sources of rejects. This change would improve the accuracy of the cost model and should also be adopted.

For the reasons stated above and in its prior comments, Pitney Bowes supports the modifications to the First-Class Mail Flats cost model discussed above and recommends the Commission approve these requested changes.

Respectfully submitted:

/s/

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⁴ See Dkt. No. RM2012-2, Comments of Time Inc. (Feb. 3, 2012) at 4-8 (Attachment (Stralberg Comments)).